

CITY OF STAFFORD, KANSAS

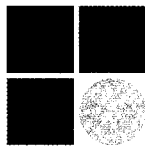
Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2010

CITY OF STAFFORD, KANSAS
Financial Statements With Independent Auditor's Report
For the Year Ended December 31, 2010

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council
City of Stafford, Kansas
Stafford, Kansas

We have audited the accompanying financial statements of **City of Stafford, Kansas**, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of **City of Stafford, Kansas'** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, the **City of Stafford, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **City of Stafford, Kansas**, as of December 31, 2010, and the changes in financial position for the year then ended. Further, **City of Stafford, Kansas** has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **City of Stafford, Kansas**, as of December 31, 2010, and their respective cash receipts and disbursements and budgetary results for the year then ended on the basis of accounting described in Note 1.

Adams, Brown, Beran & Ball, Chtd.

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

July 25, 2011

CITY OF STAFFORD, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Categories							
General Fund	\$ 178,475	-	393,283	359,267	212,491	4,341	216,832
Special Revenue Funds							
Library Fund	2,081	-	17,193	17,193	2,081	1,832	3,913
Fire Equipment Reserve Fund	10,642	-	8,099	191	18,550	-	18,550
Airport Fund	29,570	-	3,945	4,391	29,124	-	29,124
Special Parks and Recreation Fund	6,526	-	1,297	25	7,798	-	7,798
Special Highway Fund	44,107	-	27,664	23,271	48,500	2,116	50,616
Employee Benefits Fund	69,001	-	104,507	130,519	42,989	142	43,131
Mini Bus Fund	1,148	-	5,010	968	5,190	-	5,190
Health Insurance Fund	105,112	-	162,963	168,751	99,324	760	100,084
Equipment Reserve Fund	37,098	-	8,875	20,512	25,461	-	25,461
Capital Improvement Fund	65,598	-	22,307	-	87,905	-	87,905
Centennial Fund	18,142	-	81	13,957	4,266	-	4,266
Community Education Fund	3,653	-	12,390	7,409	8,634	1,681	10,315
City Attorney Diversion Fund	1,707	-	310	-	2,017	-	2,017
Community Development Block Grant Fund	8,245	-	18,807	24,072	2,980	-	2,980
Street Improvement Fund	-	-	139,827	139,827	-	-	-
Tire Product Grant Fund	-	-	986	986	-	-	-
Proprietary Fund Category							
Enterprise Funds							
Power Plant Reserve Fund	161,084	-	-	-	161,084	-	161,084
Ritz Theatre Fund	3,522	-	16,596	18,923	1,195	49	1,244
Water and Light Fund	548,301	-	1,426,434	1,484,562	490,173	59,179	549,352
Sewer Service Fund	124,322	-	99,122	57,241	166,203	-	166,203
Meter Deposit Fund	13,138	-	6,137	7,438	11,837	-	11,837
Trash Fund	770	-	97,992	96,251	2,511	8,314	10,825
Light and Water Bond Reserve Fund	25,000	-	-	25,000	-	-	-
Total Primary Government	1,457,242	-	2,573,825	2,600,754	1,430,313	78,414	1,508,727
Component Unit							
Nora E. Larabee Memorial Library Fund	28,108	-	40,041	38,568	29,581	3,191	32,772
Total Reporting Entity	\$ 1,485,350	-	2,613,866	2,639,322	1,459,894	81,605	1,541,499
		Composition of Cash	Composition of Cash				
		Certificates of Deposit	Certificates of Deposit				
		Savings Accounts	Savings Accounts				\$ 793,050
		Checking Accounts	Checking Accounts				13,854
		Petty Cash	Petty Cash				701,723
		Total Primary Government	Total Primary Government				100
		Total Component Unit	Total Component Unit				1,508,727
							32,772
		Total Reporting Entity	Total Reporting Entity				\$ 1,541,499

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2010

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
Governmental Fund Categories					
General Fund					
General Fund	\$ 474,535	-	474,535	359,267	(115,268)
Special Revenue Funds					
Library Fund	17,705	-	17,705	17,193	(512)
Fire Equipment Reserve Fund	17,610	-	17,610	191	(17,419)
Airport Fund	13,729	-	13,729	4,391	(9,338)
Special Parks and Recreation Fund	6,610	-	6,610	25	(6,585)
Special Highway Fund	70,257	-	70,257	23,271	(46,986)
Employee Benefits Fund	194,187	-	194,187	130,519	(63,668)
Mini Bus Fund	2,002	-	2,002	968	(1,034)
Health Insurance Fund	321,438	-	321,438	168,751	(152,687)
Capital Improvement Fund	86,923	-	86,923	-	(86,923)
Proprietary Fund Category					
Enterprise Funds					
Ritz Theatre Fund	20,000	-	20,000	18,923	(1,077)
Water and Light Fund	1,647,811	-	1,647,811	1,484,562	(163,249)
Sewer Service Fund	168,240	-	168,240	57,241	(110,999)
Trash Fund	98,270	-	98,270	96,251	(2,019)

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Property	\$ 105,249	108,896	115,008	(6,112)
Delinquent	3,487	5,233	1,000	4,233
Motor Vehicle	24,390	26,002	24,589	1,413
Recreational Vehicle	421	376	440	(64)
16/20 M Vehicle	510	463	522	(59)
Local Alcohol Liquor	1,070	1,297	1,124	173
County Sales	69,032	62,686	50,000	12,686
Franchise Tax	31,580	28,274	30,000	(1,726)
Intangible Tax	18,281	12,621	11,997	624
In Lieu of Tax	4,526	2,684	2,000	684
Fines and Forfeitures	7,947	4,636	3,050	1,586
Licenses and Permits	1,694	1,087	1,300	(213)
Swimming Pool	3,134	4,149	3,000	1,149
Reimbursed Expenses	9,043	14,352	6,000	8,352
Leases and Rentals	4,239	6,981	6,000	981
Interest	8,470	6,766	4,000	2,766
Mowing and Other	669	2,030	1,500	530
State Aid	1,147	-	-	-
Transfers In	122,750	104,750	116,750	(12,000)
Total Cash Receipts	417,639	393,283	378,280	15,003
Expenditures				
General Administrative	46,077	39,397	50,500	(11,103)
Public Safety				
Fire Department	29,450	35,961	33,407	2,554
Police Department	162,766	171,723	184,810	(13,087)
Parks and Recreation	33,465	38,974	33,312	5,662
Swimming Pool	29,610	31,516	52,800	(21,284)
Public Works	33,941	25,106	81,706	(56,600)
Neighborhood Revitalization	2,616	3,374	-	3,374
Capital Outlay	-	2,538	-	2,538
Other	27,957	3,378	38,000	(34,622)
Transfers Out	-	7,300	-	7,300
Total Expenditures	365,882	359,267	474,535	(115,268)
Cash Receipts Over (Under) Expenditures	51,757	34,016		
Unencumbered Cash - Beginning	126,718	178,475		
Unencumbered Cash - Ending	\$ 178,475	212,491		

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Library Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Property	\$ 13,396	13,020	13,750	(730)
Delinquent	457	699	83	616
Motor Vehicle	3,332	3,362	3,130	232
Recreational Vehicle	58	49	56	(7)
16/20 M Vehicle	72	63	67	(4)
Total Cash Receipts	<u>17,315</u>	<u>17,193</u>	<u>17,086</u>	<u>107</u>
Expenditures				
Appropriations to Library Board	16,282	16,790	17,705	(915)
Neighborhood Revitalization	333	403	-	403
Total Expenditures	<u>16,615</u>	<u>17,193</u>	<u>17,705</u>	<u>(512)</u>
Cash Receipts Over (Under) Expenditures	700	-		
Unencumbered Cash - Beginning	<u>1,381</u>	<u>2,081</u>		
Unencumbered Cash - Ending	\$ <u>2,081</u>	<u>2,081</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Fire Equipment Reserve Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Property	\$ 5,936	6,190	6,538	(348)
Delinquent	194	294	20	274
Motor Vehicle	1,332	1,452	1,387	65
Recreational Vehicle	23	21	25	(4)
16/20 M Vehicle	29	25	30	(5)
Interest	145	117	100	17
Reimbursed Expenses	1,051	-	-	-
Total Cash Receipts	8,710	8,099	8,100	(1)
Expenditures				
Equipment and Maintenance	27,055	-	17,610	(17,610)
Neighborhood Revitalization	148	191	-	191
Total Expenditures	27,203	191	17,610	(17,419)
Cash Receipts Over (Under) Expenditures	(18,493)	7,908		
Unencumbered Cash - Beginning	29,135	10,642		
Unencumbered Cash - Ending	\$ 10,642	18,550		

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Airport Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Property	\$ 742	773	818	(45)
Delinquent	24	37	-	37
Motor Vehicle	166	181	173	8
Recreational Vehicle	3	3	3	-
16/20 M Vehicle	4	3	4	(1)
Sale of Crops and Hangar Rental	8,086	1,800	2,030	(230)
Interest	264	564	-	564
Other	990	584	-	584
Total Cash Receipts	10,279	3,945	3,028	917
Expenditures				
Personal Services	-	1,929	3,304	(1,375)
Health Insurance and Benefits	-	578	805	(227)
Contractual Services	1,837	1,860	7,020	(5,160)
Commodities	338	-	1,200	(1,200)
Neighborhood Revitalization	18	24	-	24
Capital Outlay	-	-	1,400	(1,400)
Total Expenditures	2,193	4,391	13,729	(9,338)
Cash Receipts Over (Under) Expenditures	8,086	(446)		
Unencumbered Cash - Beginning	21,484	29,570		
Unencumbered Cash - Ending	\$ 29,570	29,124		

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Special Parks and Recreation Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Local Alcohol Liquor	\$ 1,070	1,297	1,123	174
Expenditures				
Contractual Services	50	25	6,610	(6,585)
Cash Receipts Over (Under) Expenditures	1,020	1,272		
Unencumbered Cash - Beginning	5,506	6,526		
Unencumbered Cash - Ending	\$ 6,526	7,798		

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Special Highway Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
State Gasoline Tax	\$ 26,103	27,664	30,240	(2,576)
State Aid	763	-	-	-
Federal Aid	11,062	-	-	-
Total Cash Receipts	37,928	27,664	30,240	(2,576)
Expenditures				
Personal Services	3,032	5,798	6,000	(202)
Health Insurance and Benefits	822	2,382	1,650	732
Commodities	51,749	14,091	39,525	(25,434)
Capital Outlay	-	-	21,525	(21,525)
Other	1,467	-	1,557	(1,557)
Transfers Out	750	1,000	-	1,000
Total Expenditures	57,820	23,271	70,257	(46,986)
Cash Receipts Over (Under) Expenditures	(19,892)	4,393		
Unencumbered Cash - Beginning	63,999	44,107		
Unencumbered Cash - Ending	\$ 44,107	48,500		

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Employee Benefits Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Property	\$ 53,223	56,331	59,491	(3,160)
Delinquent	1,689	2,199	630	1,569
Motor Vehicle	11,175	12,768	12,443	325
Recreational Vehicle	195	183	223	(40)
16/20 M Vehicle	254	206	265	(59)
Interest	531	683	-	683
Reimbursed Expenses	32,782	32,137	2,800	29,337
Transfers In	58,288	-	58,288	(58,288)
Total Cash Receipts	158,137	104,507	134,140	(29,633)
Expenditures				
Social Security	36,731	36,067	45,000	(8,933)
KPERS	23,190	29,454	40,000	(10,546)
Workers' Compensation	11,416	8,616	30,000	(21,384)
Unemployment Insurance	9,975	2,445	2,500	(55)
Health Insurance	36,720	37,191	76,687	(39,496)
Neighborhood Revitalization	1,324	1,746	-	1,746
Transfers Out	16,250	15,000	-	15,000
Total Expenditures	135,606	130,519	194,187	(63,668)
Cash Receipts Over (Under) Expenditures	22,531	(26,012)		
Unencumbered Cash - Beginning	46,470	69,001		
Unencumbered Cash - Ending	\$ 69,001	42,989		

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Mini Bus Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Collections and Other Reimbursements	\$ -	-	500	(500)
Sale of Assets	-	5,010	-	5,010
Total Cash Receipts	-	5,010	500	4,510
Expenditures				
Insurance	820	821	1,100	(279)
Gas, Oil, etc.	349	147	902	(755)
Dues and Other	5	-	-	-
Total Expenditures	1,174	968	2,002	(1,034)
Cash Receipts Over (Under) Expenditures	(1,174)	4,042		
Unencumbered Cash - Beginning	2,322	1,148		
Unencumbered Cash - Ending	\$ 1,148	5,190		

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Health Insurance Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Cash Receipts				
Employee Contributions	\$ 131,666	120,274	203,647	(83,373)
Interest	1,083	1,338	-	1,338
Miscellaneous	-	601	-	601
Transfers in	43,750	40,750	8,455	32,295
Total Cash Receipts	<u>176,499</u>	<u>162,963</u>	<u>212,102</u>	<u>(49,139)</u>
Expenditures				
Insurance Premiums	132,740	122,275	150,000	(27,725)
Employee Claims	47,594	46,476	35,000	11,476
Insurance Reserve	-	-	136,438	(136,438)
Total Expenditures	<u>180,334</u>	<u>168,751</u>	<u>321,438</u>	<u>(152,687)</u>
Cash Receipts Over (Under) Expenditures	(3,835)	(5,788)		
Unencumbered Cash - Beginning	<u>108,947</u>	<u>105,112</u>		
Unencumbered Cash - Ending	\$ <u>105,112</u>	<u>99,324</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Equipment Reserve Fund
 Statement of Cash Receipts and Expenditures
 For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest	\$ 1,212	1,575
Other	500	-
Transfers In	-	7,300
Total Cash Receipts	1,712	8,875
Expenditures		
Capital Outlay	13,449	20,512
Cash Receipts Over (Under) Expenditures	(11,737)	(11,637)
Unencumbered Cash - Beginning	48,835	37,098
Unencumbered Cash - Ending	\$ 37,098	25,461

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Capital Improvement Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
User Fees	\$ 22,675	22,307	22,000	307
Expenditures				
Capital Outlay	-	-	77,523	(77,523)
Swimming Pool Repairs	56,897	-	9,400	(9,400)
Total Expenditures	56,897	-	86,923	(86,923)
Cash Receipts Over (Under) Expenditures	(34,222)	22,307		
Unencumbered Cash - Beginning	99,820	65,598		
Unencumbered Cash - Ending	\$ 65,598	87,905		

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Centennial Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest	\$ 121	81
Expenditures		
Celebration	-	13,957
Cash Receipts Over (Under) Expenditures	121	(13,876)
Unencumbered Cash - Beginning	18,021	18,142
Unencumbered Cash - Ending	\$ 18,142	4,266

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Community Education Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Donations	\$ 2,120	2,221
Sale of Assets	-	5,350
Reimbursed Expenses	2,727	4,819
Total Cash Receipts	4,847	12,390
Expenditures		
Donations	500	100
Educational Materials	-	4,010
Contractual Services	2,193	3,299
Total Expenditures	2,693	7,409
Cash Receipts Over (Under) Expenditures	2,154	4,981
Unencumbered Cash - Beginning	1,499	3,653
Unencumbered Cash - Ending	\$ 3,653	8,634

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
City Attorney Diversion Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest	\$ 13	10
Diversion Fees	900	300
Total Cash Receipts	913	310
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	913	310
Unencumbered Cash - Beginning	794	1,707
Unencumbered Cash - Ending	\$ 1,707	2,017

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Community Development Block Grant Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Aid	\$ 7,500	18,800
Interest	3	7
Transfers In	750	-
	<u>8,253</u>	<u>18,807</u>
Total Cash Receipts		
	<u>8,253</u>	<u>18,807</u>
Expenditures		
Administrative	8	5,272
Engineering	-	4,550
Construction	-	14,250
	<u>8</u>	<u>24,072</u>
Total Expenditures		
	<u>8</u>	<u>24,072</u>
Cash Receipts Over (Under) Expenditures	8,245	(5,265)
Unencumbered Cash - Beginning	<u>-</u>	<u>8,245</u>
Unencumbered Cash - Ending	\$ <u>8,245</u>	<u>2,980</u>

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Street Improvement Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	-	139,827
Expenditures		
Contractual Services	-	139,827
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	-

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Tire Product Grant Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
State Aid	-	986
Expenditures		
Commodities	-	12
Capital Outlay	-	974
Total Expenditures	-	986
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	-

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Power Plant Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts	\$ -	-
Expenditures	-	-
Cash Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	161,084	161,084
Unencumbered Cash - Ending	\$ 161,084	161,084

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Ritz Theatre Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Sales	\$ 12,523	13,596	15,000	(1,404)
Donations and Miscellaneous	117	-	100	(100)
Transfers In	3,000	3,000	3,000	-
Total Cash Receipts	15,640	16,596	18,100	(1,504)
Expenditures				
Salaries and Benefits	4,572	6,937	6,000	937
Contractual Services	7,110	8,198	9,000	(802)
Commodities	3,749	3,788	5,000	(1,212)
Total Expenditures	15,431	18,923	20,000	(1,077)
Cash Receipts Over (Under) Expenditures	209	(2,327)		
Unencumbered Cash - Beginning	3,313	3,522		
Unencumbered Cash - Ending	\$ 3,522	1,195		

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Water and Light Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Sales and Services	\$ 1,252,152	1,338,299	1,292,500	45,799
Penalties	21,276	19,763	9,000	10,763
Sales Tax	21,860	23,799	18,000	5,799
Interest	12,301	15,059	7,000	8,059
Connection Fees	3,303	2,868	3,000	(132)
Reimbursed Expenses	13,282	1,646	4,000	(2,354)
Transfers In	-	25,000	-	25,000
Miscellaneous	-	-	500	(500)
Total Cash Receipts	<u>1,324,174</u>	<u>1,426,434</u>	<u>1,334,000</u>	<u>92,434</u>
Expenditures				
Power Plant Production	735,031	814,495	844,885	(30,390)
Transmission and Distribution				
Electric	58,359	58,853	101,341	(42,488)
Water	41,392	57,339	69,181	(11,842)
Combined	69,833	70,290	81,980	(11,690)
General Administrative	199,227	201,608	202,000	(392)
Sales and Use Tax	22,514	29,420	22,000	7,420
Water Resource Tax	2,481	2,624	3,500	(876)
Community Development and Promotion	11,104	16,473	16,500	(27)
Capital Outlay	53,201	6,133	192,504	(186,371)
Transfers Out	142,295	227,327	113,920	113,407
Total Expenditures	<u>1,335,437</u>	<u>1,484,562</u>	<u>1,647,811</u>	<u>(163,249)</u>
Cash Receipts Over (Under) Expenditures	(11,263)	(58,128)		
Unencumbered Cash - Beginning	<u>559,564</u>	<u>548,301</u>		
Unencumbered Cash - Ending	\$ <u>548,301</u>	<u>490,173</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Sewer Service Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
User Fees	\$ 100,201	97,338	10,000	87,338
Interest	1,466	1,767	500	1,267
Other	30	17	-	17
Total Cash Receipts	<u>101,697</u>	<u>99,122</u>	<u>10,500</u>	<u>88,622</u>
Expenditures				
Personal Services	14,369	4,308	13,750	(9,442)
Health Insurance and Benefits	9,566	3,273	6,000	(2,727)
Contractual Services	10	-	-	-
Commodities	5,536	4,660	20,000	(15,340)
Capital Outlay	9,500	-	10,000	(10,000)
Lease Purchase Payment - Loader	-	-	10,000	(10,000)
Sewer Improvements	-	-	47,372	(47,372)
Transfers Out	63,243	45,000	61,118	(16,118)
Total Expenditures	<u>102,224</u>	<u>57,241</u>	<u>168,240</u>	<u>(110,999)</u>
Cash Receipts Over (Under) Expenditures	(527)	41,881		
Unencumbered Cash - Beginning	<u>124,849</u>	<u>124,322</u>		
Unencumbered Cash - Ending	\$ <u>124,322</u>	<u>166,203</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Meter Deposit Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest	\$ 131	37
Meter Deposits	<u>5,550</u>	<u>6,100</u>
Total Cash Receipts	5,681	6,137
Expenditures		
Meter Deposit Refunds	<u>7,359</u>	<u>7,438</u>
Cash Receipts Over (Under) Expenditures	(1,678)	(1,301)
Unencumbered Cash - Beginning	<u>14,816</u>	<u>13,138</u>
Unencumbered Cash - Ending	\$ <u><u>13,138</u></u>	<u><u>11,837</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Trash Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2010
(With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Trash Service Collections	\$ 95,594	97,992	97,500	492
Expenditures				
Contractual Services	88,824	96,251	92,270	3,981
Transfers Out	6,000	-	6,000	(6,000)
Total Expenditures	94,824	96,251	98,270	(2,019)
Cash Receipts Over (Under) Expenditures	770	1,741		
Unencumbered Cash - Beginning	-	770		
Unencumbered Cash - Ending	\$ 770	2,511		

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Light and Water Bond Reserve Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts	\$ -	-
Expenditures		
Transfer Out	-	25,000
Cash Receipts Over (Under) Expenditures	-	(25,000)
Unencumbered Cash - Beginning	25,000	25,000
Unencumbered Cash - Ending	\$ 25,000	-

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Nora E. Larabee Memorial Library Fund
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Intergovernmental Revenue		
State Aid	\$ 645	578
Gates Foundation Grant	1,300	-
Appropriation From City	19,282	17,960
Donations, Contributions, and Other	2,602	11,065
Interest	974	730
South Central Kansas Library	9,230	9,216
Fines and Miscellaneous	129	26
Insurance Reimbursement	18,081	466
Total Cash Receipts	52,243	40,041
Expenditures		
Personal Services	27,364	31,342
Books and Periodicals	1,227	634
Computer Supplies and Expense	1,440	575
Supplies and Postage	791	845
Insurance	2,729	2,228
Telephone	705	664
Maintenance	21,405	1,076
Contract Labor	420	420
Other	913	784
Total Expenditures	56,994	38,568
Receipts Over (Under) Expenditures	(4,751)	1,473
Unencumbered Cash - Beginning	32,859	28,108
Unencumbered Cash - Ending	\$ 28,108	29,581

The notes to the financial statements are an integral part of this statement.

CITY OF STAFFORD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Stafford, Kansas has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

The City is a municipal corporation governed by an elected Mayor and five elected council members. The financial statements present the City (primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

The component unit section of these financial statements includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the City. The governing body of this component unit is appointed by the City.

Library Board

The City's Library Board operates the Nora E. Larabee Memorial Library. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City. The Board's members are appointed by the City Council. The City substantially funds the Board's operations by levying tax dollars for the library.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Basis of Presentation - Fund Accounting

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2010.

Governmental Fund Categories

General Fund – to account for all financial resources except those required to be reported in another fund.

Special Revenue Funds – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

CITY OF STAFFORD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Category

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.

CITY OF STAFFORD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There were two budget amendments for this year for the Ritz Theatre Fund and the Trash Fund.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds and fiduciary funds, and the following special revenue funds: Equipment Reserve Fund, Centennial Fund, Community Education Fund, City Attorney Diversion Fund, Community Development Block Grant Fund, Street Improvement Fund, and the Tire Product Grant Fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Deposits and Investments

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

CITY OF STAFFORD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City does not use "peak periods". All deposits were legally secured at December 31, 2010.

At December 31, 2010, the City's carrying amount of deposits was \$1,508,727 and the bank balance was \$1,574,433. The City's bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$251,782 was covered by federal depository insurance, and \$1,322,651 was collateralized with securities held by the pledging financial institutions' agents in the City's name. In addition, the City had cash on hand of \$100.

At December 31, 2010, the Nora E. Larabee Memorial Library's carrying amount of deposits was \$32,772 and the bank balance was \$35,844. The Library's bank balance was held by one bank resulting in a concentration of credit risk. The entire bank balance was covered by federal depository insurance. In addition, the Library had cash on hand of \$64.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2010.

Compensated Absences

Vacation

The City's policy regarding vacation is that a full-time employee will accrue 8 hours per month for the first 10 years of employment. After 10 years, 12 hours per month vacation is allowed. After 20 years, 16 hours per month vacation is allowed. Employees are allowed to carry over no more than 18 days of vacation from one year to the next for the first 10 years of employment. After 10 years, employees are allowed to carry over no more than 27 days of vacation from one year to the next. After 20 years, employees are allowed to carry over no more than 36 days of vacation from one year to the next. Upon termination, an employee shall be compensated for all earned but unused vacation leave at their final rate of pay.

The Library's policy regarding vacation is that a full-time employee will accrue 40 hours per year for the first 5 years of employment. After 5 years, 80 hours per year vacation is allowed. After 15 years, 120 hours per year vacation is allowed. After 15 years, 320 hours per year vacation is allowed. Employees are not allowed to carry over any vacation time from one year to the next. Upon termination, an employee shall be compensated for all earned but unused vacation leave at their final rate of pay.

Sick Leave

The City's policy regarding sick pay is that a full-time employee can accumulate sick leave at 8 hours per month worked up to a maximum of 90 days, which is cancelled upon the termination of the employee.

CITY OF STAFFORD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Library's policy regarding sick pay is that a full-time employee can accumulate sick leave at 32 hours per month worked up to a maximum of 180 days. Upon termination, an employee shall be compensated for all earned but unused sick leave at their final rate of pay.

Comp Time

The City's policy regarding comp time is that an employee can earn comp time after working 40 hours per week. It is calculated at time and one half. Employees have the option of taking time off or receiving payment for the hours earned.

A potential liability for accumulated vacation and sick leave is shown in the long-term debt note.

Deferred Compensation Plan

The City sponsors a deferred compensation plan under the Internal Revenue Code Section 457. Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The City is not required to make any contributions.

Defined Benefit Pension Plan

Plan Description

The City contributes in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2010 was 7.14%. The City's employer contributions to KPERS for the years ending December 31, 2010, 2009 and 2008 were \$33,362, \$26,755, and \$22,901 respectively, equal to the required contributions for each year as set forth by the legislature.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

CITY OF STAFFORD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts.

Reimbursements

The City records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

NOTE 2 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **City of Stafford, Kansas'** interfund transfers and statutory authority for the year ended December 31, 2010 were as follows:

From	To	Statutory Authority	Amount
Water and Light Fund	General Fund	K.S.A. 12-825d	\$ 60,750
Water and Light Fund	Street Improvement Fund	K.S.A. 12-825d	139,827
Water and Light Fund	Health Insurance Fund	K.S.A. 12-825d	23,750
Water and Light Fund	Ritz Theatre Fund	K.S.A. 12-825d	3,000
General Fund	Equipment Reserve Fund	K.S.A. 12-1,117	7,300
Employee Benefits Fund	Health Insurance Fund	K.S.A. 12-2615	15,000
Special Highway Fund	Health Insurance Fund	K.S.A. 12-2615	1,000
Sewer Service Fund	Health Insurance Fund	K.S.A. 12-825d	1,000
Sewer Service Fund	General Fund	K.S.A. 12-825d	44,000
Light and Water Bond Reserve Fund	Water and Light Fund	Bond Ordinance	25,000

NOTE 3 – LITIGATION

City of Stafford, Kansas is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the City.

NOTE 4 – RISK MANAGEMENT

City of Stafford, Kansas is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been

CITY OF STAFFORD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 4 – RISK MANAGEMENT (continued)

unable to obtain Workers' Compensation insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other cities in the State to participate in the Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for 141 participating members.

The City pays an annual premium to KMIT for its Workers' Compensation and Employers' Liability insurance coverage. This agreement to participate provides that the KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by the KMIT's management.

The City continues to carry commercial insurance for all other risks of loss, including property, general liability, inland marine, automobile, umbrella, linebacker, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 5 – GRANTS AND SHARED REVENUES

City of Stafford, Kansas participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

NOTE 6 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in the **City of Stafford, Kansas'** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

NOTE 7 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

City of Stafford, Kansas did not pay interest for the utility deposits held as required by the Kansas Corporation Commission, which is a violation of K.S.A 12-822.

City of Stafford, Kansas did not publish the financial statements for the required four quarters, showing by fund the beginning and ending balances, receipts, and expenditures along with obligation/liability information, which is a violation of K.S.A. 12-1608.

NOTE 8 – OPERATING LEASES

On May 24, 2010, **City of Stafford, Kansas** entered into a lease agreement with Office Products Incorporated to lease a copier. The agreement calls for monthly payments of \$76 for 55 months. Payments totaling \$454 were made in 2010. Future scheduled payments to maturity are as follows:

CITY OF STAFFORD, KANSAS
Notes to Financial Statements
December 31, 2010

NOTE 8 – OPERATING LEASES (continued)

<u>Year</u>		<u>Amount</u>
2011	\$	912
2012		912
2013		912
2014		912
2015		76

Payments were also made in the amount of \$379 under the old lease agreement.

NOTE 9 – LONG-TERM DEBT

City of Stafford, Kansas has the following type of long-term debt.

Capital Leases Payable

The City has entered into lease agreements with an option to purchase at the expiration of the lease terms. The leases contain a fiscal funding clause.

Loan Warrants

The City has loan warrants from the Fireman's Relief Association. The funds were used to build a fire station.

CITY OF STAFFORD, KANSAS
Notes to Financial Statements
For the Year Ended December 31, 2010

NOTE 9 - LONG-TERM DEBT (continued)

Changes in long-term liabilities for the City for the year ended December 31, 2010, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Loan Warrants Payable	3.00%	01/02/2003	\$ 50,000	01/02/2012	\$ 15,000	-	5,000	-	10,000	375
Capital Leases Payable										
Asphalt Zipper	3.25%	05/22/2009	87,445	05/22/2014	87,445	-	15,649	-	71,796	4,863
JCB 3CX 4 Wheel Loader Backhoe	3.45%	08/16/2010	63,850	08/16/2015	-	63,850	-	-	63,850	-
2 2010 Ford F-150 Pickups	4.59%	11/10/2010	55,756	11/10/2014	-	55,756	-	-	55,756	-
Total Contractual Indebtedness					102,445	119,606	20,649	-	201,402	5,238
Compensated Absences					77,440	-	-	6,245	83,685	-
Component Unit Compensated Absences					2,160	-	-	-	2,160	-
Total Long-Term Debt			\$		182,045	119,606	20,649	6,245	287,247	5,238

Current maturities of long-term debt and interest for the next five years through maturity are as follows:

	2011	2012	2013	2014	2015	Total
Principal						
Loan Warrants Payable	5,000	5,000	-	-	-	10,000
Capital Leases Payable	\$ 41,423	43,363	45,407	47,546	13,663	191,402
Total Principal	<u>46,423</u>	<u>48,363</u>	<u>45,407</u>	<u>47,546</u>	<u>13,663</u>	<u>201,402</u>
Interest						
Loan Warrants Payable	225	76	-	-	-	301
Capital Leases Payable	7,899	6,570	5,164	3,694	480	23,807
Total Interest	<u>8,124</u>	<u>6,646</u>	<u>5,164</u>	<u>3,694</u>	<u>480</u>	<u>24,108</u>
Total Principal and Interest	<u>\$ 54,547</u>	<u>55,009</u>	<u>50,571</u>	<u>51,240</u>	<u>14,143</u>	<u>225,510</u>